

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6162-01
Bill No.: HB 1945
Subject: Economic Development; Political Subdivisions; Contracts and Contractors
Type: Original
Date: February 28, 2014

Bill Summary: This proposal authorizes any political subdivision to enter into design-build contracts for construction projects exceeding one million dollars.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **City of Kansas City** assume an unknown cost from this proposal. The City will incur additional advertisement costs if required to advertise in newspapers. The specific amount is not known because it will depend on the number of projects. The City currently advertises all bids in the web (City's "Plan Room") which allows contractors to download and print construction plans and bidding documents for free. The City may also incur additional administrative costs if it is required to advertise in a newspaper. This requirement will also add additional time to the completion of projects. Additional undetermined costs may be incurred by the City's inability to procure contracts through Design Build if the project does not exceed one million dollars.

Additional costs will be incurred if the City is required to retain an architect or engineer to "assist with the design criteria package, preparation of the request for proposal, pre-qualifying Design Builds, and evaluation of proposals." These functions can be performed for some projects with the City's own employees (engineers and architects).

Additional administrative costs could be incurred if the City can only use the proposed pre-qualification three-step/two envelopes process. Currently, the City uses a two-step/two envelope process. Finally, if only one bidder submits a responsive bid, the City would have to re-advertise the project, incurring in additional administrative and advertisement expenses.

Officials at the **City of Liberty** assume an unknown savings from this proposal. Using Design Build, the City was able to save over \$300,000 in design and construction costs for the \$1,500,000 project. The City was able to achieve all the project goals at a reduced project cost and saved approximately 6 months by using design build as opposed to traditional design, bid, build. The project resulted in better quality and value through increased communication and collaboration between the neighborhood, city staff, city council and the contractor/design team partnership.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration, the Office of Administration's Division of Facilities Management, Design and Construction, the Department of Economic Development's Division of Business and Community Services, the Missouri Housing Development Commission, the Missouri Development Finance Board and the Department of Labor and Industrial Relations** each assume no fiscal impact to their respective agencies from this proposal.

ASSUMPTION (continued)

Officials at **St. Louis County** and the **City of Columbia** each assume no fiscal impact to their respective organizations from this proposal.

Oversight did not receive enough fiscal impact responses from political subdivisions to make a determination whether political subdivisions would experience increased savings or increased costs due to this proposal. Oversight does note that the proposal permits subdivisions to use design-build contracts for large (exceeding \$1,000,000) projects. Oversight assumes the leaders of political subdivisions will use this permission when advantageous. Oversight assumes there will be no direct fiscal impact due to this proposal.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill repeals the prohibition against a construction manager awarded a construction management services contract or any construction firm affiliated with the construction manager bidding on or performing the actual construction on a public works project. The bill also repeals the requirement that a construction management services contract must be let by competitive bidding if the construction manager or any construction firm affiliated with the construction manager guarantees or otherwise assumes financial responsibility for the work of others on the project, provides a guaranteed maximum price for the work of others, or furnishes or provides a performance or payment bond for the other contractors on the project. The bill also authorizes political subdivisions to enter into design-build contracts for construction projects exceeding \$1 million.

In its main provisions, the bill:

- (1) Establishes design-build contract procedures.
- (2) Requires the political subdivision to adopt procedures for requesting proposals and evaluating and awarding contracts from a minimum of two and a maximum of five pre-qualified contractors.
- (3) Establishes advertising requirements and procedures for submitting and opening proposals and for re-advertising when necessary.
- (4) Specifies that payment bonds are required, but the performance bond does not need to cover design services if the contractor or subcontractor providing design services carries professional liability insurance in the amount established in the request for proposal.
- (5) Requires architects, engineers, landscape architects, and land surveyors performing services for the contractor to be licensed or authorized under statute, unless the subcontractors performing the services are properly licensed.
- (6) Requires the political subdivision to retain an architect or engineer.

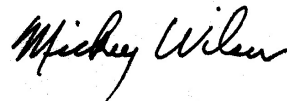
NM:LR:OD

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration's Division of Facilities Management, Design and Construction
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Department of Economic Development's Division of Business and Community Services
Missouri Housing Development Commission
Missouri Development Finance Board
St. Louis County
City of Columbia
City of Kansas City
City of Liberty



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